

(h) A list of all counties in which the proposed system will have facilities.

(i) If Article II, section 4(b) of the standard mortgage has not been made applicable, plans for operating the unified system.

(j) In the case of a merger, the proposed articles of merger that are to be used.

(k) In the case of an acquisition, the proposed purchase price, plus two copies of any options, bills of sale, or deeds, and two copies of any acquisition agreements. All of these documents are subject to RUS approval. If the acquisition agreement is approved by RUS, two copies of it shall be returned to the borrower.

(l) Any other data deemed necessary by the Administrator for an evaluation of the acquisition or merger.

(Approved by the Office of Management and Budget under control number 0572-0084)

[54 FR 14626, Apr. 12, 1989. Redesignated at 55 FR 39395, Sept. 27, 1990]

**§§ 1735.81-1735.89 [Reserved]**

**Subpart I—Requirements for All Acquisitions and Mergers**

SOURCE: 54 FR 14626, Apr. 12, 1989, unless otherwise noted. Redesignated at 55 FR 39395, Sept. 27, 1990.

**§ 1735.90 Preliminary approvals.**

(a) In cases where the borrower's schedule for completion of the proposed action leaves insufficient time for RUS to prepare and process the required documentation, including new mortgages and replacement notes, the borrower may request RUS to give preliminary approval to the acquisition or merger. However, the borrower may not obtain additional loan funds until the documentation is completed to RUS's satisfaction.

(b) Consideration of preliminary approvals generally will not be practicable in cases in which compensating benefits are required.

(c) RUS will not give preliminary approval when the lien of the mortgage on after-acquired property may be affected.

(d) Before RUS will grant preliminary approval, the borrower shall submit:

(1) Merger or acquisition documents required by state law;

(2) Acquisition agreements covering the transaction;

(3) Any required franchises, licenses, and permits;

(4) All required regulatory body approvals;

(5) All required corporate actions;

(6) Leases, contracts, and evidence of titles to be assigned to the purchaser; and

(7) The latest audited financial statements for any nonborrowers involved.

(e) If the information in (d) of this section is acceptable to RUS, the borrower may proceed with the closing.

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**§ 1735.91 Location of facilities.**

Telephone facilities to be acquired must be located so that they can be efficiently operated by the borrower and provide adequate security for the RUS loan.

**§ 1735.92 Accounting considerations.**

(a) Proper accounting shall be applied to all acquisitions and mergers, as required by the regulatory commission having jurisdiction, or in the absence of such a commission, as required by RUS based on Generally Accepted Accounting Principles or other accounting conventions as deemed necessary by RUS.

(b) If RUS determines that the plant accounts are not properly depreciated, the borrower should adjust its depreciation rates. Depending upon the characteristics of the case, commission jurisdiction and requirements, and similar factors, one of the following actions shall be taken:

(1) In states where commission approval of depreciation rates is required, a covenant shall be included in the loan contract that requires the borrower to:

(i) Have the consulting engineer make an original cost less depreciation inventory and appraisal of retained plant as part of the final inventory, and